

MILITARY MERCHANDISING PLAN FOR 1996

INTRODUCTION

- As in the civilian marketplace, RJR must also take a more efficient approach to the way we market, promote and merchandise our products in the Military class of trade.
- Effective April 1, 1996, existing Military Exchange contracts have been modified/changed. **These new contracts should be renegotiated immediately in Marine Corps and Coast Guard Exchanges.**
- The Defense Commissary Agency (DeCA), Army, Air Force Exchange Service (AAFES) and Navy Exchange Command Service (NEXCOM) negotiate and sign contracts at their headquarters. See individual chain sections in this manual for details on current shelf compliance.

MILITARY CARTON MERCHANDISING - STRATEGY

GENERAL STRATEGIES - PRIORITIES

- Vertical carton merchandising is preferred as all companies will contract space. We should use this as a selling tool to maximize customer dollars.
- Ensure adequate RJR distribution to satisfy sales and space/inventory to equal S.O.M. and minimize out-of-stock.
- Secure RJR P.O.S. where possible (permissible) and not be at a competitive disadvantage.
- Contiguous loading of RJRT Full Price and/or Savings brands.
- Note "Total Cigarette Volume" has been changed to 250 carton minimum on Exchange Carton Contracts. This will be strictly enforced.
- Make copies of shelf contracts as needed.

ALTERNATIVE STRATEGIES

- Vertical carton merchandising and/or payment on RJRT dealer-owned and competitive fixtures permissible provided the contract guideline standards/requirements are assured for RJR.

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MILITARY CARTON MERCHANDISING POLICIES & GUIDELINES

COMMISSARIES

- RJRT will make carton shelf display payments on dealer-owned, and competitive fixturing, and/or shelving in military commissaries.
- RJRT Military Commissary Shelf Plan "V" contract has been renegotiated with DeCA Headquarters.
- Government Policy and Shelf Contracts dictate that share of space is allocated based on share of market.
 - The contract dictates that all RJRT "Full Priced" brands must be merchandised together (contiguous), and that all RJRT "Savings/Generic" brands must be merchandised together (contiguous).
 - No company should receive an advantageous merchandising location (traffic flow exclusively, etc.). However, you should strive for RJRT merchandising location to be as close to the traffic flow, etc., as possible.
 - If RJRT signs are prohibited, so must competitors.
- A copy of the new contract is included on the next page. Read thoroughly before proceeding.

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R. J. REYNOLDS TOBACCO COMPANY
MILITARY COMMISSARY
CIGARETTE CARTON SHELF DISPLAY PLAN "V"

R. J. Reynolds Tobacco Company (RJR) is pleased to announce the following display plan effective _____, for **Military Commissary Stores** displaying and maintaining cigarette cartons on self service. This plan supersedes all prior RJR Display Plans for Military Commissaries.

MONTHLY PAYMENT PER STORE					
PLAN MAV	PAYMENT	RJR/FORSYTH BRAND MINIMUMS	PLAN MBV	PAYMENT	RJR/FORSYTH BRAND MINIMUMS
Class 1 Stores	\$100	30 Brands	Class 3 Stores	\$180	45+ Brands
Class 2 Stores	\$100	35 - 44 Brands	Class 4 Stores	\$180	45+ Brands

PLAN MAV

- Commissary Stores designated as Class 1 stores must stock at least thirty (30) RJR/Forsyth Products' brand styles to qualify for payment.
- Commissary Stores designated as Class 2 stores must stock at least thirty-five (35) RJR/Forsyth Products' brand styles to qualify for payment.
- Brand mix of RJR/Forsyth Products' Full Price and Savings/Generic brands will be determined by an RJR Representative.
- Class 1 and 2 stores that stock forty-five (45) plus brands styles qualify for the Plan MBV payment.

PLAN MBV

- Commissary Stores designated as Class 3 and 4 stores must stock at least forty-five (45) RJR/Forsyth Products' brand styles to qualify for payment.
- Brand mix of RJR/Forsyth Products Full Price and Savings/Generic brands will be determined by an RJR Representative.

REQUIREMENTS

- All RSL's must include at least sixty-five (65) RJR/Forsyth Products' total brand styles.
- RJR/Forsyth Products Brands must receive their percentage of space, equal to the share of sales, in the Full Price and Savings/Generic sections on carton merchandisers/shelving.
- Such space must be provided in a vertical contiguous manner on the designated total linear display feet for cigarette cartons in both the Full Price and Savings/Generic sections.
- All Companies' brands must be displayed in the designated space allocated for Full Price and Savings/Generic brands.
- RJR/Forsyth Products will receive the primary position for "Savings/Generic" categories based on the traffic flow in the store, as determined by an RJR Representative.
- All RJR/Forsyth Products' new brand styles must be accepted and listed on all Region Stock Lists (RSL) for 180 days from date of introduction.
- All new brands must be listed on individual Commissary Store Ordering Documents within 10 days of RJR/Forsyth Products' first shipment date.
- All new RJR/Forsyth Products' brand styles must be stocked in individual Commissary stores for sale for 180 days from date of introduction and be in addition to RJR/Forsyth Products' current brand distribution.
- Commissary Stores must maintain RJR/Forsyth Products' brand distribution in all price tiers as required.
- Individual Commissary Stores agree to maintain an adequate supply of RJR/Forsyth Products' brands on display at all times.
- Commissary Stores further agree that restricting RJR's ability to display, promote or distribute RJR/Forsyth Products' brands, and/or the ability to compete equally with other tobacco companies in all areas at store level will result in termination of this plan.
- Commissary Stores must use fixturing/shelving approved by an RJR Representative.

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R. J. REYNOLDS TOBACCO COMPANY
MILITARY COMMISSARY
CIGARETTE CARTON SHELF DISPLAY PLAN "V"

- The height of the top shelf must be no higher than 65 inches from the floor.
- All RJR/Forsyth Product' designated shelves must be no less than six (6) cartons high when fully stocked.
- All RJR/Forsyth Product' designated rows must be in a forward facing position and occupy the entire depth of the shelf(s).
- Commissaries will not permit non-RJR advertising, products, promotional or informational material to be affixed, appended to or suspended above any part of the fixturing/shelving that is allocated to RJR/Forsyth Products.
- Payments will be made only on the principal cigarette display area in a Commissary as determined by an RJR Representative.
- RJR/Forsyth Products' brands will be displayed vertically on the designated share of space.
- This display, when fully stocked, must have a minimum capacity of 600 cartons, have at least five (5) shelves equal in height and depth and be merchandised with cigarette cartons only.
- Share of market data and space allocations must be approved by an RJR Representative.
 - When calculating percentages of sales and space all calculations must be rounded to the nearest whole number.
- Share of space percentages must be reviewed and adjusted, if necessary, and a new plan-o-gram issued for each CONUS region every six (6) months. Plan-o-grams must be approved by an RJR Representative. The space allocation must not at any time be reduced without an RJR Representative's approval.
- An RJR Representative will be allowed access to each Commissary selling cigarettes to verify performance under this plan as well as to verify that all RJR/Forsyth Products' brands authorized are properly rotated and displayed.
- RJR will make payment by check as soon as practicable. Payment will be made for stores rendering full performance during the quarter and on a pro rata basis for stores rendering performance for less than one full quarter but more than one calendar month. Commissaries will not deduct amounts due under this plan from invoices due RJR.
- All requirements are in effect during the term of this agreement.
- This plan will remain in effect until terminated upon notice by either party or until superseded by a new plan between both parties. In the event of failure of performance by a Commissary or Commissaries, this plan may be terminated by RJR forthwith and without notice.

Name _____ RJR Account No. _____
 Address _____ RJR Territory No. _____
 City _____ State _____ Zip Code _____

LIST PLAN SELECTED

PLAN	NUMBER OF QUALIFYING STORES	TOTAL QUARTERLY DOLLAR AMOUNT
_____	_____	_____
_____	_____	_____
TOTAL		_____

DEFENSE COMMISSARY AGENCY

By: _____
 DATE SIGNED _____
 Title: _____

R. J. REYNOLDS TOBACCO COMPANY

By: _____
 EFFECTIVE DATE _____
 Title: _____

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COMMISSARY CONTRACT INTERPRETATION

MILITARY COMMISSARY CIGARETTE CARTON SHELF DISPLAY PLAN "V"

PLAN MAV	PAYMENT	RJR/FORSYTH BRAND MINIMUMS
Class 1 Stores	\$100	30 Brands
Class 2 Stores	\$100	35 - 44 Brands

PLAN MAV

- Commissary Stores designated as Class 1 stores must stock at least thirty (30) RJR/Forsyth Products' brand styles to qualify for payment.
 - Commissary Stores designated as Class 2 stores must stock at least thirty-five (35) RJR/Forsyth Products' brand styles to qualify for payment.
 - Brand mix of RJR/Forsyth Products' Full Price and Savings/Generic brands will be determined by an RJR Representative.
 - Class 1 and 2 stores that stock forty-five (45) plus brand styles qualify for the Plan MBV payment.
-
- Established for Commissaries designated as "Class 1 and Class 2" stores. This designation assigned by DeCA is readily available from Commissary store management.
 - Brand minimums should not be viewed as maximums. Brands stocked beyond the minimums should be based on sales and customer needs and potential.
 - Brand mix of our brands is to be determined by an RJR Representative. Judgment and professionalism should be exhibited. Strive to work with store personnel in determining brand mix. Use appropriate Business Analysis Information (Market Research reports - Military Audits Market Information ["MAMI"] Data). Provide a service, develop a partnership, mutual respect and confidence. The "club" effect is not intended and/or expected with this requirement.
 - Class 1 and Class 2 stores can qualify for the larger plan MBV payment if at least 45 brands are stocked.

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COMMISSARY CONTRACT INTERPRETATION

MILITARY COMMISSARY CIGARETTE CARTON SHELF DISPLAY PLAN "V"

PLAN MBV	PAYMENT	RJR/FORSYTH BRAND MINIMUMS
Class 3 Stores	\$180	45+ Brands
Class 4 Stores	\$180	45+ Brands

PLAN MBV

- Commissary Stores designated as Class 3 and 4 stores must stock at least forty-five (45) RJR/Forsyth Products' brand styles to qualify for payment.
- Brand mix of RJR/Forsyth Products Full Price and Savings/Generic brands will be determined by an RJR Representative.
 - Designated for Class 3 and Class 4 stores. Commissary store classification available from local management.
 - Brand minimums (45+ brands) should not be viewed as maximums. Sell/maintain appropriate brands to satisfy sales/potential/customer needs.
 - Brand mix - same as outlined under Plan MAV.
 - Class 3 and Class 4 stores cannot qualify for the smaller Plan MAV if fewer than 45 brands are stocked.

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COMMISSARY CONTRACT NEW REQUIREMENTS INTERPRETATION

1. **All RSL's must include at least sixty-five (65) RJR/Forsyth Products' total brand styles.**

Regional Stock Lists (RSL's) is DeCA terminology for their authorized Regional Stock Listing documents. Managers with headquarter responsibility will enforce this requirement.

2. **All RJR/Forsyth Products' new brand styles must be accepted and listed on the Region Stock Lists (RSL) for 180 days from date of introduction.**

Managers with H.Q.'s will enforce.

3. **All new brands must be listed on individual Commissary Store Ordering Documents within 10 days of RJR/Forsyth Products' first shipment.**

This requirement added to ensure acceptance of our new brands during introductory periods and eliminate delays in being placed on store ordering documents.

4. **All new RJR/Forsyth Products' brand styles must be stocked in individual Commissary Stores for 180 days from date of introductions and be in addition to RJR/Forsyth Products' current brand distribution.**

Added to ensure sufficient time for our new brands to become established.

Also to cease the "your brand out for your brand in" practice.

5. **Commissary Stores must maintain RJR/Forsyth Products' brand distribution in all price tiers as required.**

Stores are required to maintain distribution on our brands in all price tiers offered.

6. **Commissary Stores further agree that restricting RJR's ability to display, promote or distribute RJR/Forsyth Products' brands, and/or the ability to compete equally with other tobacco companies in all areas at store level will result in termination of this plan.**

This statement protects RJR from being placed at a competitive disadvantage. If retailer discriminates against RJR regarding displays, promotion or distribution of RJR brands, compared to other tobacco companies, contract in place may be placed in non-compliance and terminated.

7. **Share of space percentages must be reviewed and adjusted, if necessary, and a new plan-o-gram issued for each CONUS region every six (6) months. Plan-o-grams must be approved by an RJR Representative. The space allocation must not at any time be reduced without an RJR Representative's approval.**

This statement ensures new plan-o-grams must be issued from DeCA H.Q.'s every six months. Manager with DeCA H.Q. responsibility will enforce this requirement.

COMMISSARY CARTON MERCHANDISING

COMMISSARIES

COMPETITIVE	RJRT	COMPETITIVE BRANDS	RJRT	COMPETITIVE
	▽	▽	▽	▽
(CONTIGUOUS FULL PRICED)			(CONTIGUOUS SAVINGS/GENERIC)	

RACK(S) CONFIGURATION

- Straight line end to end.
- Traffic flow judged equal.
- RJRT, Competitive or Commissary owned fixturing.

SITUATION

- No P.O.S./Commissaries have policy that prohibits tobacco companies' P.O.S.
- RJRT Full Priced and Savings brands contiguously merchandised.
- RJRT brands merchandised vertically, space equal to share.
- Competitive brands merchandised vertically, space equal to share.
- RJRT Full Priced and Savings brands per contract requirements.

RJRT STRATEGY:

- Priority merchandising strategy.
- RJRT will make shelf payments.

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MILITARY CARTON MERCHANDISING POLICIES & PROCEDURES

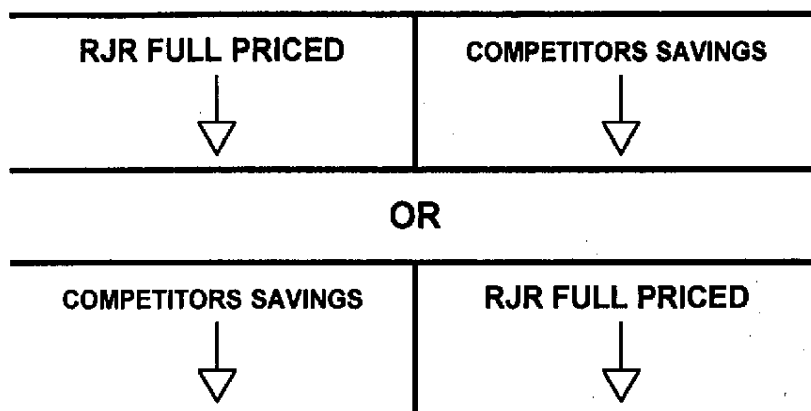
EXCHANGES

- RJRT will make carton shelf display payments on its own, dealer-owned, and competitive fixturing/shelving in Military Exchanges.
- RJRT Horizontal and Vertical "Full Price" and "Savings" contracts are available to Military Exchanges. One contract plan for both sets (MVH).
- Government policy and contracts dictate that share of space is allocated based on share of market.
 - Contract dictates that all RJRT "Full Priced" brands must be merchandised together (contiguous), and that all RJRT "Savings/Generic" brands must be merchandised together (contiguous).
 - No company should receive an advantageous merchandising location (traffic flow exclusively, etc.). However, you should strive for RJR merchandising location to be as close to the traffic flow, etc., as possible.
- RJR advertising and/or price communication should be equal to other companies on the fixturing. There can be no difference in benefits which favors competition in an advantageous manner.
 - If competitive signage is lighted, RJRT signage must be lighted.
 - If competitive companies have price communication, RJRT must have price communication.
 - RJRT advertising and/or price communication shall/can be over space designated for RJRT brands, or additional space as agreed upon.
 - If competition has their sign over their products/space, RJR must have its sign over products/space.
 - If RJR signs are prohibited, so must competitors.
 - Parity must exist.
 - Copies of the new contracts are included on the next pages. Read thoroughly before proceeding.

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COMMISSARY & EXCHANGE CARTON

MERCHANDISING GUIDELINES



NOT ACCEPTABLE

When RJRT full priced brands are vertically merchandised and located adjacent to a competitors savings brands.

POS/SIGNAGE GUIDELINES

SIGNAGE	RJRT EXCLUSIVE		PAY
SIGNAGE	RJRT	EQUAL	PAY
SIGNAGE	NO RJRT	COMPETITIVE	NO PAY
SIGNAGE	NO RJRT	NO COMPETITIVE	PAY

- POS/Signage must be no less than any competitors in space and position.
- RJRT Signage must be over RJRT products in Full Priced and Savings sections.

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R. J. REYNOLDS TOBACCO COMPANY
MILITARY EXCHANGE
CIGARETTE CARTON SHELF/PACKAGE DISPLAY PLAN

R. J. Reynolds Tobacco Company (RJR) is pleased to announce the following display plans effective for **MILITARY EXCHANGE STORES**. This plan supersedes all prior RJR Display Plans for Military Exchanges.

MONTHLY PAYMENT PER STORE		
PLAN	TYPE	PAYMENT
MVH	SHELF DISPLAY PLAN	\$ 50
MCP	PROMO FLOOR DISPLAY	\$ 75
MSP	COMBINATION	\$150

- MVH - Carton plan for cigarettes merchandised vertically/horizontally in a self-service location.
MCP - Free-standing promotional display exclusively for RJR brands in a self-service location.
MSP - Combination plan that utilizes a qualifying shelf carton display in conjunction with a qualifying floor package display.

Plan MVH Requirements

- Exchange stores accepting this plan must merchandise cigarettes self-service and satisfy a weekly minimum cigarette volume of 250 cartons.
- Exchange Stores accepting this plan must stock at least thirty (30) RJR/Forsyth Products' brand styles to qualify for payment. Brand mix of RJR/Forsyth Products' Full Price and Savings/Generic brands will be determined by an RJR Representative.
- All Exchange Headquarters merchandising stock listings must include at least fifty-five (55) RJR/Forsyth Products' total brand styles where applicable.
- RJR/Forsyth Products' brands must receive their percentage of space, equal to the share of sales, in the Full Price and Savings/Generic sections on the carton merchandising/shelving.
- For vertical configurations - such space must be provided vertically on the designated total linear display feet for cigarette cartons in both the Full Price and the Savings/Generic sections, as determined by an RJR Representative.
- For horizontal configurations - such space must be provided horizontally on the designated total linear display feet allocated for cigarette cartons in both the Full Price and Savings/Generic sections, as determined by an RJR Representative. Such space must be located in a contiguous manner on the top shelf exclusively and, if necessary, the next to the top shelf.
- All companies' brands must be displayed in the designated space allocated for Full Price and Savings/Generic brands.
- All RJR/Forsyth Products' new brand styles must be accepted and listed on the Exchange headquarters stock listings (where applicable) for 180 days from the date of introduction.
- All new brands must be listed on individual Exchange stores ordering documents within 10 days of RJR/Forsyth Products' first shipment date.
- All new RJR/Forsyth Products' brand styles must be stocked in individual Exchange stores for 180 days from date of introductions and be in addition to RJR/Forsyth Products' current brand distribution.
- Individual Exchange Stores agree to maintain an adequate supply of RJR/Forsyth Products' brands on display at all times.
- Exchange Stores further agree that restricting RJR's ability to display, promote or distribute RJR/Forsyth Products' brands, and/or the ability to compete equally with other tobacco companies in all areas at store level will result in termination of this plan.
- Exchange Stores must use fixturing/shelving approved by an RJR Representative.
 - The height of the top shelf must be no higher than 65 inches from the floor.
 - All RJR/Forsyth Products' designated shelves must be no less than five (5) cartons high when fully stocked. All other shelves must be five (5) cartons high when fully stocked.
 - All RJR/Forsyth Products' designated rows must be in a forward facing position and occupy the entire depth of the shelf(s).
 - Exchanges will not permit non-RJR advertising, products, promotional or informational material to be affixed, appended to or suspended above any part of the fixturing/shelving that is allocated to RJR/Forsyth Products.
 - Payments will be made only on the principal cigarette display area in an Exchange as determined by an RJR Representative.
 - RJR/Forsyth Products' brands will be displayed horizontally/vertically on the designated share of space.
 - This display will have at least four (4) shelves equal in height and length, must be a minimum of eight (8) feet in length and be merchandised with cigarette cartons only.
- Share of market data and space allocations must be approved by an RJR Representative.
 - When calculating percentages of sales and space all calculations must be rounded to the nearest whole number.
- Share of space percentages must be reviewed and adjusted, if necessary, and a new plan-o-gram issued and implemented as required. Plan-o-grams must be approved by an RJR Representative. The space allocation must not at any time be reduced without an RJR Representative's approval.
- An RJR Representative will be allowed access to each Exchange selling cigarettes to verify performance under this plan as well as to verify that all RJR/Forsyth Products' brands authorized are properly rotated and displayed.
- RJR will make payment as soon as practicable. Payment will be made for stores rendering full performance during the quarter and on a pro rata basis for stores rendering performance for less than one full quarter but more than one calendar month. Exchanges will not deduct amounts due under this plan from invoices due RJR.
- All requirements are in effect during the term of this agreement.
- This plan will remain in effect until terminated upon notice by either party or until superseded by a new plan between both parties. In the event of failure of performance by an Exchange or Exchanges, this plan may be terminated by RJR forthwith and without notice.

PLAN MCP REQUIREMENTS

- RJR Promotional Floor Display will be supplied by RJR or military store shelving as approved by an RJR Representative.
- The display must be continuously maintained in a self-service, unobstructed location in the primary checkout area or as agreed upon by an RJR Representative.

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R. J. REYNOLDS TOBACCO COMPANY
MILITARY EXCHANGE
CIGARETTE CARTON SHELF/PACKAGE DISPLAY PLAN

- Designated promotional display advertising must be illuminated at all times.
- RJR/Forsyth Products' brands must occupy the entire display. RJR reserves the right to plan-o-gram, adjust and divide space as deemed necessary by an RJR Representative.
- Exchange will not permit non-RJR advertising, promotional, or informational material, including that relating to the Exchange's own products to be affixed or appended to the merchandiser or military shelving. RJR shall have the exclusive rights to the advertising space above the merchandiser or military shelving, although retailer may alternately use said space for non-tobacco advertising.
- Exchange will permit the RJR Representative to make reasonable audits of performance and to inspect and rotate RJR's products in Exchange under contract.
- Exchange agrees that restricting RJR's ability to display, promote or distribute RJR/Forsyth Products' brands and/or the ability to compete equally with other tobacco companies in all areas at store level will result in termination of this program.

Self-service display plan compliance will be determined by an RJR Representative and payment will be made at the end of each calendar quarter by check as soon as practicable. Payments will be made for Exchanges rendering full performance during a quarter and on a pro rata basis for Exchanges rendering performance for less than one full quarter but more than one calendar month. Exchanges will not deduct amounts due under this contract from invoices due RJR.

This plan will remain in effect until terminated upon notice by either party or until superseded by a new contract between both parties. In the event of failure of performance by Exchange, this contract may be terminated by RJR.

PLAN MSP REQUIREMENTS

A new combination plan, MSP, is being made available to qualifying Military Exchanges that participate in both the shelf and the package display programs.

- Exchange stores accepting this plan will have fully met all requirements as specified in both RJR Exchange Plans MVH and MCP.

Self-service display plan compliance will be determined by an RJR Representative and payment will be made at the end of each calendar quarter by check as soon as practicable. Payments will be made for Exchanges rendering full performance during a quarter and on a pro rata basis for Exchanges rendering performance for less than one full quarter but more than one calendar month. Exchanges will not deduct amounts due under this contract from invoices due RJR.

This plan will remain in effect until terminated upon notice by either party or until superseded by a new contract between both parties. In the event of failure of performance by Exchange, this contract may be terminated by RJR.

Exchange Store Name _____ RJR Account No. _____
 Address _____ RJR Territory No. _____
 City _____ State _____ Zip Code _____

LIST PLAN SELECTED

PLAN	NUMBER OF QUALIFYING STORES	TOTAL QUARTERLY DOLLAR AMOUNT
_____	_____	_____
_____	_____	_____
_____	_____	_____
TOTAL		_____

EXCHANGE SERVICE AGENCY

 DATE SIGNED By: _____
 Title: _____
 R. J. REYNOLDS TOBACCO COMPANY
 By: _____
 Title: _____

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EXCHANGE CONTRACT INTERPRETATION

MILITARY EXCHANGE CIGARETTE CARTON SHELF DISPLAY PLAN "H"

MONTHLY PAYMENT PER STORE		
PLAN	PAYMENT	RJR/FORSYTH PRODUCTS BRAND REQUIREMENT
Plan MVH	\$ 50	30+ Brand Styles

Exchange Stores accepting this plan must stock at least thirty (30) RJR/Forsyth Products' brand styles to qualify for payment. Brand mix of RJR/Forsyth Products' Full Price and Savings/Generic brands will be determined by an RJR Representative.

MILITARY EXCHANGE CIGARETTE CARTON SHELF DISPLAY PLAN "V"

MONTHLY PAYMENT PER STORE		
PLAN	PAYMENT	RJR/FORSYTH PRODUCTS BRAND REQUIREMENT
Plan MVH	\$50	30+ Brand Styles

Exchange Stores accepting this plan must stock at least thirty (30) RJR/Forsyth Products' brand styles to qualify for payment. Brand mix of RJR/Forsyth Products' Full Price and Savings/Generic brands will be determined by an RJR Representative.

- There is only one contract Plan (MVH) for both vertical and horizontal plans.
- Note these plans are for Exchange Stores that self-service cigarettes and primarily sell by the carton and satisfy minimum cigarette volume of 250 cartons.
- Brand minimum should not be viewed as a maximum.
- Brand mix of our brands is to be determined using judgment and professionalism. Work with store personnel in determining brand mix. Use Business Analysis Information (Market Research reports - Military Audits Market Information ["MAMI"] Data). Provide a service, develop a partnership, mutual respect and confidence. The "club" effect is not intended and/or expected with this requirement.

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EXCHANGE CONTRACT NEW REQUIREMENTS INTERPRETATION

(Same for Horizontal and Vertical Contracts)

1. **All Exchange Headquarters merchandising stock listings must include at least fifty-five (55) RJR/Forsyth Products' total brand styles - where applicable.**

This statement intended for AAFES and NEXCOM who issue stock listings from H.Q.

Not applicable for MCX and CGES stores.

2. **All RJR/Forsyth Products' new brand styles must be accepted and listed on the Exchange Headquarters Stock Listings (where applicable) for 180 days from the date of introduction.**

This intended for AAFES and NEXCOM.

Not applicable for MCX and CGES stores.

3. **All new brands must be listed on individual Exchange Stores' Ordering Documents within 10 days of RJR/Forsyth Products' first shipment date.**

Ensures new brands are accepted during introductory period and to eliminate delays.

4. **All new RJR/Forsyth Products' brand styles must be stocked in individual Exchange Stores for 180 days from date of Introductions and be in addition to RJR/Forsyth Products' current brand distribution.**

Added to ensure sufficient time for our new brands to become established.

Also to cease the "your brand out for your brand in" practice.

5. **Exchange Stores must maintain RJR/Forsyth Products' brand distribution in all price tiers as required.**

Stores are required to maintain distribution on our brands in all price tiers offered.

6. **Exchange Stores further agree that restricting RJR's ability to display, promote or distribute RJR/Forsyth Products' brands, and/or the ability to compete equally with other tobacco companies in all areas at store level will result in termination of this plan.**

This statement protects RJR from being placed at a competitive disadvantage. If retailer discriminates against RJR regarding displays, promotion or distribution of RJR brands compared to other tobacco companies, contract in place may be placed in non-compliance and terminated.

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EXCHANGE CARTON MERCHANDISING EXCHANGES

RJRT EXCLUSIVE P.O.S.			RJRT EXCLUSIVE P.O.S.		
RJRT			RJRT		
RJRT			RJRT		
	COMPETITIVE			COMPETITIVE	
	BRANDS			BRANDS	
▽	▽	▽	▽	▽	▽
(CONTIGUOUS FULL PRICED)			(CONTIGUOUS SAVINGS/GENERIC)		

RACK(S) CONFIGURATION

- Straight line end to end.
- Traffic flow judged equal.
- RJRT competitive or exchange owned fixturing.

SITUATION

- RJRT has exclusive P.O.S.
- RJRT's Full Priced and Savings brands contiguously merchandised horizontally.
- Competitive brands merchandising vertically.
- All companies brands merchandised equal space to equal share.
- RJRT/Forsyth brands stocked per contract requirements.

RJRT STRATEGY:

- 1st priority merchandising strategy.
- RJRT will make shelf payments.
- If no company has P.O.S. and same schematic, RJRT will make payment.

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EXCHANGE CARTON MERCHANDISING

EXCHANGES

RJRT P.O.S.	COMPETITIVE P.O.S.	RJRT P.O.S.	COMP. P.O.S.
RJRT	COMPETITIVE BRANDS	RJRT	COMPETITIVE
▽	▽	▽	▽
(CONTIGUOUS FULL PRICED)		(CONTIGUOUS SAVINGS/GENERIC)	

RACK(S) CONFIGURATION

- Straight line end to end.
- Traffic flow judged equal.
- Competitive or exchange owned fixturing.

SITUATION

- RJRT has equal P.O.S. to competitors.
- RJRT's Full Priced and Savings brands contiguously merchandised vertically.
- Competitive brands merchandised vertically.
- All companies brands merchandised equal space to equal share.
- RJRT/Forsyth brands stocked per contract requirements.

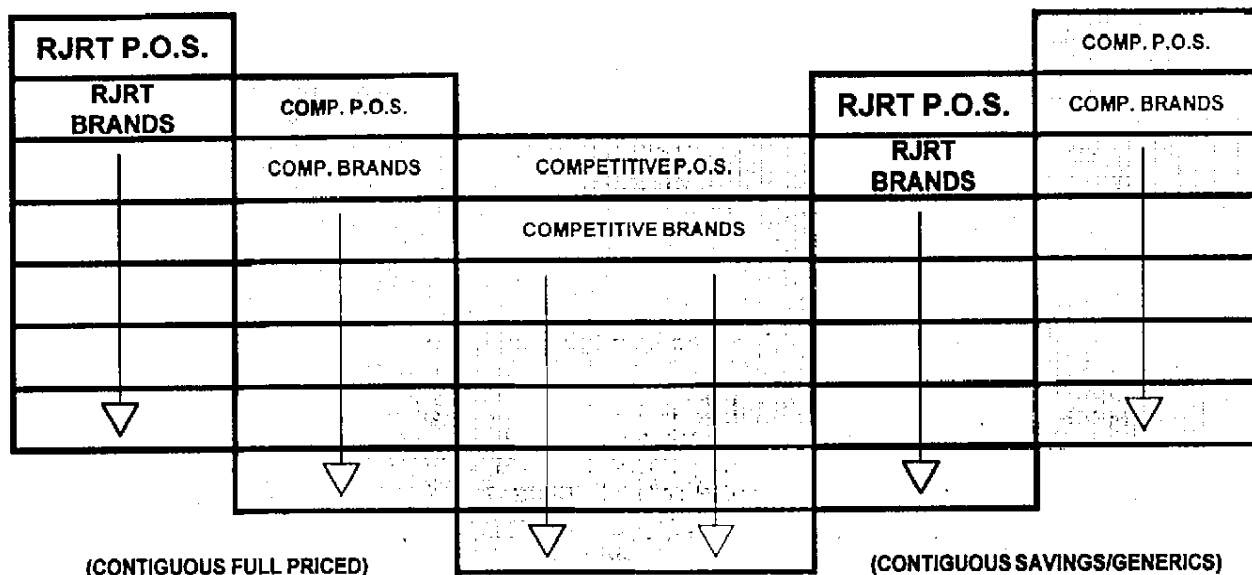
RJRT STRATEGY: (ALTERNATIVE STRATEGY)

- RJRT will make shelf payments.
- RJRT has 50% of total advertising space.
- If no company has P.O.S. and same schematic, RJRT will make payment.

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EXCHANGE CARTON MERCHANDISING

EXCHANGES



RACK(S) CONFIGURATION

- U-Shaped.
- Traffic flow judged unequal.
- Competitive or exchange owned fixturing.

SITUATION

- Competitive P.O.S. dominant.
- Competitive brands have exclusivity.
- All companies brands merchandised vertically, equal space to equal share.

RJRT STRATEGY:

- RJRT will not make payment.
- If no company has P.O.S. and same schematic, RJRT will not make payment.

51847 7624

EXCHANGE CARTON MERCHANDISING EXCHANGES

EXCLUSIVE RJRT P.O.S.		OR	EXCLUSIVE RJRT POS		OR
NO P.O.S.			NO P.O.S.		
RJRT			RJRT		
▽	▽		▽	▽	

(CONTIGUOUS FULL PRICED)

(CONTIGUOUS SAVINGS/GENERIC)

RACK(S) CONFIGURATION

- Straight line end to end.
- Traffic flow judged equal.
- Competitive or exchange owned fixturing.

SITUATION

- RJRT has exclusive POS
- or
- No company has POS on fixtures
- RJRT's Full Priced and Savings brands contiguously merchandised vertically.
- Competitive brands merchandised vertically.
- All companies brands merchandised equal space to equal share.
- RJRT/Forsyth brands stocked per contract requirements.

RJRT STRATEGY:

- If RJRT has exclusive P.O.S., or no company has P.O.S., RJRT will make payment.

51847 7625

MILITARY EXCHANGE PACKAGE MERCHANDISING STRATEGY

GENERAL STRATEGIES - PRIORITIES

KEY PRIORITIES

- Full Price Display - 2 Brands
- Savings Display
- Signage
- Maintain pack presence in priority Exchanges.
- Supplement permanent vehicles with temporary displays.
- Maintain standards on Full Price display (register position, display across from #1 register, or floor display).
- Achieve parity position and price communication on Savings Brands.
- Achieve promotion support on permanent display(s) or temporary displays.

IMPORTANT:

- RJR Strategic Focus is to shift display payments from shelf plans to new pack display placements (floor and counter) in high volume exchange locations (250 ct+ industry volume). **Target Pack Action Business.**
- Play to our strength - multi-pack promotions.
- New Shelf and Packs display combination plan maximizes retailers sales and allowances.
- RJRTC better positions our opportunities to grow business utilizing new pack trials via multi-pack promotions.
- RJRTC is more competitive and can meet competitive initiatives at retail with a vertical set since all companies will contract space. This can be a selling strategy for RJRTC and our customers.
- The next page include the Military Exchange Package Display Program Contracts. Read thoroughly before proceeding.

GENERAL STRATEGIES - PRIORITIES

- New contracts have updated formats.

51847 7626

R. J. REYNOLDS TOBACCO COMPANY
MILITARY EXCHANGE
CIGARETTE PACKAGE DISPLAY PROGRAM

R. J. Reynolds Tobacco Company (RJR) is pleased to announce the following Package Display Program for **MILITARY EXCHANGE STORES** using promotional counter displays/merchandisers supplied by RJR. This plan supersedes all prior RJR Package Display Plan for Military Exchanges.

MONTHLY PAYMENT PER STORE		
PLAN	TYPE	PAYMENT
MDP	PROMO COUNTER DISPLAY	\$ 30

PLAN MDP REQUIREMENTS

- RJR Promotional Counter Display must be continuously maintained in a self-service, unobstructed location on the primary checkout counter or adjacent to the primary register, or as agreed upon by an RJR Representative.
- Designated promotional display advertising must be illuminated at all times.
- RJR/Forsyth Products' brands must occupy the entire display.
- RJR reserves the right to plan-o-gram, adjust and divide space as deemed necessary by an RJR Representative.
- Exchange will not permit non-RJR advertising, promotional, or informational material, including that relating to the Exchange's own products to be affixed or appended to the display/merchandiser. RJR shall have the exclusive rights to advertising space above the display/merchandiser, although retailer may alternately use said space for non-tobacco advertising.
- Exchange will permit the RJR Representative to make reasonable audits of performance and to inspect and rotate RJR's products in Exchanges under contract.
- Exchange agrees that restricting RJR's ability to display, promote or distribute RJR/Forsyth Products' brands and/or the ability to compete equally with other tobacco companies in all areas at store level will result in termination of this program.

Self-service display plan compliance will be determined by an RJR Representative and payment will be made at the end of each calendar quarter by check as soon as practicable. Payments will be made for Exchanges rendering full performance during a quarter and on a pro rata basis for Exchanges rendering performance for less than one full quarter but more than one calendar month. Exchange will not deduct amounts due under this contract from invoices due RJR.

This contract will remain in effect until terminated upon notice by either party or until superseded by a new contract between both parties. In the event of failure of performance by Exchange, this contract may be terminated by RJR.

Exchange Store Name _____ RJR Account No. _____

Address _____ RJR Territory No. _____

City _____ State _____ Zip Code _____

LIST PLAN SELECTED

Plan	Number of Qualifying Stores	Total Quarterly Dollar Amount
_____	_____	_____

EXCHANGE SERVICE AGENCY

DATE SIGNED _____

By _____

Title _____

R. J. REYNOLDS TOBACCO COMPANY

EFFECTIVE DATE _____

By _____

Title _____

51847 7627

MILITARY SHELF/PACK PLANS

NEW PLANS

PLAN	TYPE/REQUIREMENT	PAYMENT (MONTH)
MAV	Commissary Shelf - (NO CHANGE)	\$ 100
MBV	Commissary Shelf - (NO CHANGE)	\$ 180
MVH	PX Shelf - Vertical and Horizontal, 30+ Brands, 250 Carton C.I.V. SHELF ONLY - (NEW PLAN)	\$ 50
MCP	PX Pack - Floor Display, PACK ONLY - (NO CHANGE)	\$ 75
MSP	PX Shelf and Pack Combination - (NEW PLAN)	\$ 150
MDP	PX Pack - Small/Large Counter, As Required, - (NEW PLAN)	\$ 30

51847 7628

MILITARY EXCHANGE PACKAGE MERCHANDISING STRATEGY

NEW REQUIREMENTS INTERPRETATION

1. Exchange agrees that restricting RJR's ability to display, promote or distribute RJR/Forsyth Products' brands and/or the ability to compete equally with other tobacco companies in all areas at store level will result in termination of this program.

This statement protects RJR from being placed at a competitive disadvantage. If retailer discriminates against RJR regarding displays, promotion or distributions of RJR brands, compared to other tobacco Companies, contract in place may be placed in non-compliance and terminated.

Also requires stores to maintain distribution on our brands in all price tiers offered.

COMPLIANCE GUIDELINES - ALL MILITARY CONTRACTS

As retail environments have heightened the level of competition for display space, many of our standards of compliance have been stretched.

RJR intends to enforce all contractual requirements in a consistent and firm manner.

As a result, once you have implemented the new contract at retail, you will need to monitor and enforce compliance of all contract plans. This will require working with some retailers who, for one reason or another, have failed to maintain displays in an acceptable manner.

The increasing importance of impactful, lighted signage, pricing capabilities, and proper location of our displays must also be considered when evaluating display/plan compliance.

In addition, competitive pressure on retailers to place signage in locations that violate contractual performance and compromise our display presence is unacceptable.

NON-COMPLIANCE CRITERIA - ALL MILITARY CONTRACTS

A retailer may be deemed in "non-compliance" with an RJR contractual agreement based on any or all of the following situations outlined in the Hand-Held Computer:

- Non-RJR Product in Display.
- Insufficient Merchandise on Display.
(Brand minimums Not Met - RSL and Store.)
(New Brand Requirements Not Met - RSL and Store.)
- No Display.
- Improper Location.
- Advertising Requirement Not Met.
(Price Tier Requirement.)
- Display Obstruction.
- Contract Canceled by Account.

At all times, The National Guidelines for Compliance Reporting must be followed to ensure that clear, consistent compliance standards are applied to all retail trade segments.

H. MARINE CORPS EXCHANGES

1. Background Information

Marine Corps. Exchange Service Headquarters is located at the Marine Corps Base, Quantico, VA. Headquarters exercises very little authority over the buying or brand selection of individual Exchanges. (Invoices are paid locally.) Marine Exchanges are also operated as a profit-making business.

2. Price Contract Explanation

Currently, there is no price contract with the Marine Exchange System; however, the Navy Price Contract is used by this system as a guide.

3. Distribution

Brand selection is determined by local Exchange buyers. Total brands carried are also determined by local Exchange management.

4. Ordering Methods

Ordering is normally through the MUC Book (Merchandising Unit Control Book). Five numbers for each item are required prior to initiating order. Purchase order number and "Work-Sheet Order Form" (Brand name, line number, item cost, extended-each value - must be recorded) are required to complete order.

Some Exchanges use a computer ordering system. A "Requisition and Issue Form" is sent to the Main Exchange to fill the order by the cigarette clerk.

5. Call Procedure

Usually, Exchange management is receptive to cigarette promotions. Both military and civilian personnel operate Exchanges.

6. New and Reintroduction of Existing Brands

As outlined under "Distribution" Section, local Exchange's management makes decisions on new and existing brand introductions. Introductory promotional payments on new brands will be deducted from invoices.

7. Returned Goods

Attempt, whenever possible, to return damaged/outdated product from the individual Exchange using RJR form 8410 (Returned Goods Authorization Form). Inform Order Clerk or Exchange Manager that a credit memorandum will be issued approximately weeks from the date of the return. No drafts or checks should be issued for returned product.

In the event of small quantities being returned (3 case maximum), UPS may be utilized. Quantities over 3 cases should be returned via preferred Carrier.

8. Vending

On some bases, vending machines are operated by the Exchange Service or are on contract from a local vendor. Our Vending Machine Placement Payment Contracts apply here as in our civilian business.

9. Sales Promotion

Following are the promotional activities authorized for all Exchanges:

- Regular Work Plan Promotions - Local Exchange Management authorization. Payment, if any, made at each Exchange.
- Military Quarterly Store Sales - local authorization. (Premiums, Coupons or Buy Down offers.)
- Doral Military Store Sales - local authorization. (Premiums, Coupons or Buy Down offers.)
- Direct Account Incentive Programs - local authorization and payments.

I. U.S. COAST GUARD

1. Background Information

U.S. Coast Guard Exchange Headquarters is located in Washington, D.C. Headquarters does not exercise direct control over Exchanges. Coast Guard Commissary stores normally do not sell cigarettes. Each Exchange manager has complete authority to accept all programs/promotions.

2. Price Contract

Currently, there is no price contract with the Coast Guard Exchange System. The Navy Price Contract is used as guide only.

3. Distribution

The Exchange Officer or Manager authorizes brand selections and number of brands carried.

4. Ordering Methods

The Exchange Officer or Manager issues a Purchase Order.

5. Call Procedures

Usually, Exchange Management is receptive to cigarette promotions. Both military and civilian personnel operate Exchanges.

6. New and Reintroduction of Existing Brands

The Exchange Officer or Manager authorizes brand selections and number of brands carried. Introductory promotional payments will be deducted from invoices.

7. Returned Goods

Attempt, whenever possible, to return damaged/outdated product from the individual Exchange using RJR Form 8410 (Returned Goods Authorization Form). Inform Order Clerk or Exchange Manager that a credit memorandum will be issued approximately 3 weeks from the date of the return. No drafts or checks should be issued for returned product.

In the event of small quantities being returned (3 case maximum), UPS may be utilized. Quantities over 3 cases should be returned via preferred Carrier.

8. Vending

On some bases, vending machines are operated by the Exchange Service or are on contract from a local vendor. Our Vending Machine Placement Payment Contracts apply here as in our civilian business.

9. Sales Promotion

Listed below are the promotional activities authorized for all Exchanges.

- Regular Work Plan Promotions - Local Exchange Management authorization. Payment, if any, should be made to Headquarters, Washington, DC by the national account manager.
- Military Quarterly Store Sales - local authorization.
- Doral Military Store Sales - local authorization. (Premiums, Coupons or Buy Down offers.)
- Direct Account Incentive Programs - local authorization.

10. Merchandising

RJRT Military Exchange Carton Shelf Display Plans and Military Pack Display Plans can be presented to each Exchange. See Section H "Merchandising" under Marine Corps Exchanges for details and implementation.

IMPORTANT: US Coast Guard Exchanges Only. (All contract Display payments are made to Coast Guard Headquarters, Washington, DC by the national account manager. Do not pay at store level.)

See Section J for Military Exchange Contracts.

10. Merchandising

Guidelines

MILITARY HORIZONTAL AND VERTICAL SHELF PLANS

- These Plans should be presented to all U.S. Coast Guard and U.S. Marine Corps Exchanges that merchandise cigarette cartons on a self-service basis.
- For ease in administration, one Plan is available for all of the branches. Appropriate branch information should be listed in the necessary spaces on the contract. Make copies of plans for presentation purposes. See Section J.
- The original signed Plan should be retained in the Division Office records.
- The individual Exchange should also have a copy of the Plan for their files.
- SIS Reporting - Submit form 7101 for contract to the ROU in order for payment to be made at store level (Independent Pay Register).
- There is only one contract (MVH) for Horizontal or Vertical Shelf sets. (Payment is \$50 monthly per store.) Strive to sell the Vertical plan to customers as all companies will contract space. This can be a selling tool for RJRTC and our customers.
- RJR Package Merchandisers are authorized at local store levels.

Permanent Pack Display Contracts

Negotiated and approved at store levels. Individual display plans are as follows:

- MCP \$75 - Floor Unit (System 3, MFD, etc.)
- MSP \$150 - Shelf and Pack Combination
- MDP \$30 - Counter (Small/Large Displays)
- Quarterly payments should be paid at store level (Independent Pay Register). Submit Form 7101 to the ROU for new contract plans or changes.
- **IMPORTANT:** US Coast Guard Exchanges Only. (All contract Display Payments are made to Coast Guard Headquarters, Washington, DC by the national account manager. Do not pay at store level.)
- Refer to Section J for Military Exchange Contracts.